



Income Tax Department

Ministry of Finance, Government of India

- (v) any payment or expenditure specifically excluded under section 17(2); and
 - (vi) lump-sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and similar payments;
- (f) "specified date" means—
- (i) the date of exercising of the option; or
 - (ii) any date earlier than the date of the exercising of the option, not being a date which is more than one hundred and eighty days earlier than the date of the exercising.





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Annual accretion referred to in section 17(1)(i).

16. (1) For the purposes of section 17(1)(i), annual accretion by way of interest, dividend or any other amount of similar nature during the tax year (herein referred to as the current tax year) to the balance of the credit of the fund or scheme referred to in section 17(1)(h), shall be the amount or aggregate of amounts computed in accordance with the following formula:—

$$TP = (PC/2) \times R + (PC1 + TP1) \times R$$

Where,—

TP = Taxable perquisite under section 17(1)(i) for the current tax year;

TP1 = aggregate of taxable perquisite under section 17(1)(i) for the tax year or years commencing on or after the 1st April, 2020 other than the current tax year;

PC = aggregate amount of principal contribution made by the employer in excess of Rs. 750000 to the specified fund or scheme during the tax year;

PC1 = aggregate amount of principal contribution made by the employer in excess of Rs. 750000 to the specified fund or scheme for the tax year or years commencing on or after the 1st April, 2020 other than the current tax year;

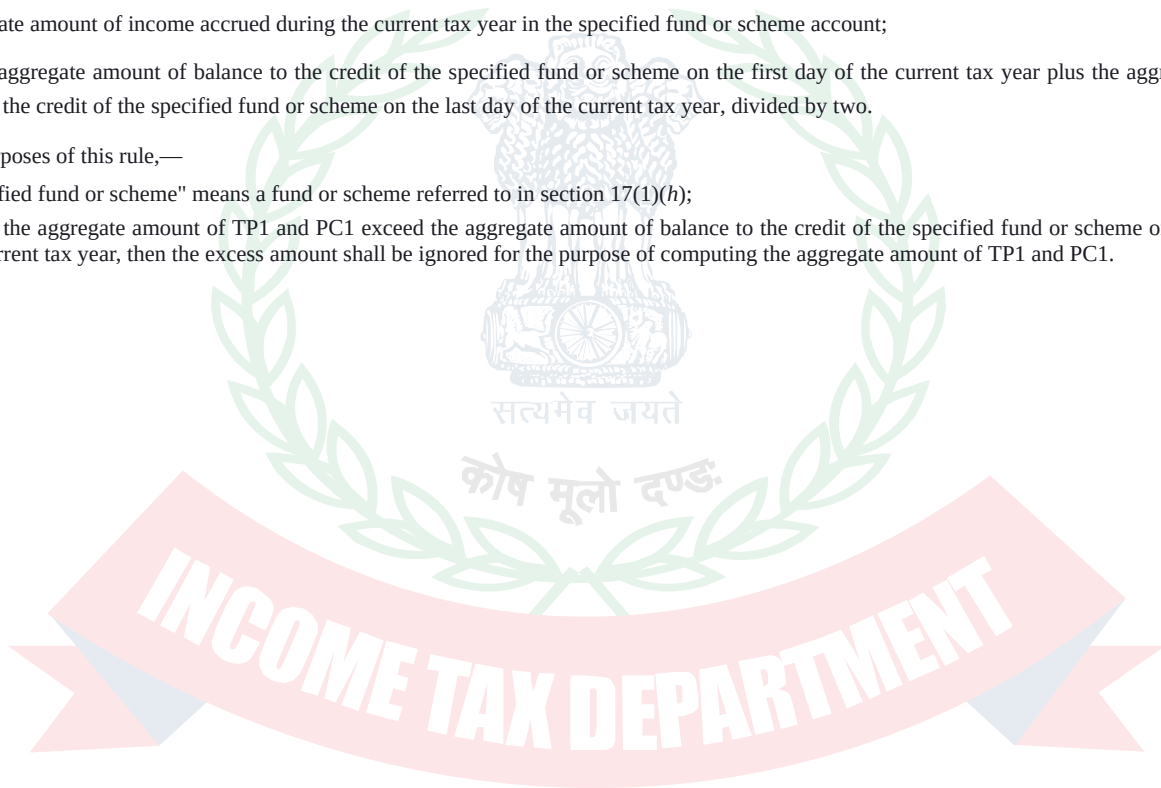
R = I/F(avg.);

I = aggregate amount of income accrued during the current tax year in the specified fund or scheme account;

F(avg.) = aggregate amount of balance to the credit of the specified fund or scheme on the first day of the current tax year plus the aggregate amount of balance to the credit of the specified fund or scheme on the last day of the current tax year, divided by two.

(2) For the purposes of this rule,—

- (a) "specified fund or scheme" means a fund or scheme referred to in section 17(1)(h);
- (b) where the aggregate amount of TP1 and PC1 exceed the aggregate amount of balance to the credit of the specified fund or scheme on the first day of the current tax year, then the excess amount shall be ignored for the purpose of computing the aggregate amount of TP1 and PC1.





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Salary income for purposes of section 17(1)(c)(ii).

17. For the purposes of section 17(1)(c)(ii), the prescribed income under the head "Salaries" shall be Rs. 400000.





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Exemption of medical benefits from perquisite value in respect of medical treatment of prescribed diseases or ailments in hospitals approved by the Chief Commissioner.

18. (1) In granting approval to any hospital other than a hospital for Indian system of medicine and homeopathic treatment for the purposes of section 17(2)(b)(ii), the Principal Chief Commissioner or Chief Commissioner shall satisfy himself that the hospital is registered with the local authority and fulfils the following requirements:—

- (a) the building used for the hospital complies with the municipal bye-laws in force;
- (b) the rooms are well ventilated, lighted and are kept in clean and hygienic conditions;
- (c) at least ten iron spring beds are provided for patients;
- (d) at least one properly equipped operation theatre is provided, with minimum floor space of one hundred and eighty square feet and with a separate sterilisation room;
- (e) at least one labour room is provided, with minimum floor space of one hundred and eighty square feet, in case the hospital provides medical service for maternity cases;
- (f) aseptic conditions are maintained in the operation theatre and the labour room;
- (g) a duty room is provided for the nursing staff on duty;
- (h) adequate space for storage of medicines, food articles, equipments and such other articles is provided;
- (i) the water used in the hospital or nursing home is fit for drinking;
- (j) adequate arrangements are made for isolating septic and infectious patients;
- (k) the hospital is provided with and maintains:—
 - (i) high pressure sterilizer and instrument sterilizer;
 - (ii) oxygen cylinders and necessary attachments for giving oxygen;
 - (iii) adequate surgical equipments, instruments and apparatus including intravenous apparatus;
 - (iv) a pathological laboratory for testing of blood, urine and stool;
 - (v) electro-cardiogram monitoring system; and
 - (vi) stand-by generator for use in case of power failure;
- (l) there is at least one qualified doctor available on duty round the clock for every twenty beds or fraction thereof;
- (m) in hospitals providing intensive care unit facilities, there are at least two qualified doctors available on duty round the clock exclusively for such intensive care unit;
- (n) one nurse is on duty round the clock for every five beds or a fraction thereof;
- (o) in hospitals providing intensive care unit facilities, there are at least four nurses provided exclusively for every four beds or fraction thereof for such intensive care unit; and
- (p) the hospital maintains record of health of every patient containing information about the patient's name, address, occupation, sex, age, date of admission, date of discharge, diagnosis of disease and treatment undertaken.

(2) In granting approval to any hospital for Indian system of medicine and homeopathic treatment for the purposes of section 17(2)(b)(ii), the Principal Chief Commissioner or Chief Commissioner shall satisfy himself that the hospital fulfils the conditions specified in the Office Memorandum dated the 6th June, 2002, issued by the Department of Indian Systems of Medicine and Homeopathy, Ministry of Health and Family Welfare for approval of private hospitals for Indian system of medicine and homeopathic treatment to Central Government Health Scheme beneficiaries and the Central Government employees.

(3) For the purposes of section 17(2)(b)(ii), the prescribed diseases or ailments shall be the following:—

- (a) cancer;
- (b) tuberculosis;
- (c) acquired immunity deficiency syndrome;
- (d) disease or ailment of the heart, blood, lymph glands, bone marrow, respiratory system, central nervous system, urinary system, liver, gall bladder, digestive system, endocrine glands or the skin, requiring surgical operation;
- (e) ailment or disease of the eye, ear, nose or throat, requiring surgical operation;
- (f) fracture in any part of the skeletal system or dislocation of vertebrae requiring surgical operation or orthopaedic treatment;
- (g) gynaecological or obstetric ailment or disease requiring surgical operation, caesarean operation or laparoscopic intervention;
- (h) ailment or disease of the organs mentioned at (d), requiring medical treatment in a hospital for at least three continuous days;
- (i) gynaecological or obstetric ailment or disease requiring medical treatment in a hospital for at least three continuous days;
- (j) burn injuries requiring medical treatment in a hospital for at least three continuous days;
- (k) mental disorder – neurotic or psychotic – requiring medical treatment in a hospital for at least three continuous days;
- (l) drug addiction requiring medical treatment in a hospital for at least seven continuous days; and
- (m) anaphylactic shocks including insulin shocks, drug reactions and other allergic manifestations requiring medical treatment in a hospital for at least three continuous days.

(4) For the purposes of this rule,—

- (a) "nurse" means a person who holds a certificate of a recognised Nursing Council and is registered under any law for the registration of nurses;
- (b) "qualified doctor" means a person who holds a degree recognised by the Medical Council of India and is registered by the Medical Council of any State; and
- (c) "surgical operation" includes treatment by modern methodology such as angioplasty, dialysis, lithotripsy, laser or cryo-surgery.



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Gross total income for purposes of section 17(3)(b).

19. For the purposes of section 17(3)(b), the prescribed gross total income shall be Rs. 800000.





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Procedure for purposes of section 19 [Table: Sl. No. 12] relating to voluntary retirement or voluntary separation.

20. (1) Subject to the conditions specified in sub-rules (2) and (3), the amount received at the time of voluntary retirement or voluntary separation can be claimed as deduction for the purposes of section 19 [Table: Sl. No. 12] by an employee of—

- (i) a public sector company; or
- (ii) any other company; or
- (iii) an authority established under a Central Act or State Act or Provincial Act; or
- (iv) a local authority; or
- (v) a co-operative society; or
- (vi) a University established or incorporated by or under a Central Act or State Act or Provincial Act, and an institution declared to be a University under section 3 of the University Grants Commission Act, 1956 (3 of 1956); or
- (vii) an Indian Institute of Technology within the meaning of clause (g) of section 3 of the Institutes of Technology Act, 1961 (59 of 1961); or
- (viii) an institution, having importance throughout India or in any State or States, as the Central Government may, by notification in the Official Gazette, specify in this behalf; or
- (ix) such other institute of management as the Central Government may, by notification, specify in this behalf.

(2) The deduction under sub-rule (1) is allowable only if the scheme of voluntary retirement framed by the aforesaid company or authority or co-operative society or University or institute, as the case may be, or if the scheme of voluntary separation framed by a public sector company, (herein referred to as 'the scheme') is in accordance with the following requirements:—

- (i) the scheme applies to an employee who has completed ten years of service or completed forty years of age;
- (ii) the scheme applies to all employees (by whatever name called) including workers and executives of a company or of an authority or of a co-operative society, as the case may be, excepting directors of a company or of a co-operative society;
- (iii) the scheme has been drawn to result in overall reduction in the existing strength of the employees;
- (iv) the vacancy caused by the voluntary retirement or voluntary separation is not to be filled up;
- (v) the retiring employee of a company shall not be employed in another company or concern belonging to the same management; and
- (vi) the amount receivable on account of voluntary retirement or voluntary separation of the employee does not exceed either A or B, where,—

$$A = 3 \times N \times S;$$

$$B = M \times S; \text{ and}$$

N = Number of completed years of service;

M = balance months of service left before the date of his retirement on superannuation;

S = salary at the time of retirement.

(3) In case an amount is received by an employee of a public sector company under the scheme of voluntary separation framed by such public sector company, the requirement of sub-rule (2)(i) shall not be applicable.

(4) In this rule, the expression "salary" includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

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Unrealised rent.

21. For the purposes of section 21(4), the amount of rent which the owner cannot realise shall be equal to the amount of rent receivable by the assessee but not paid by a tenant of the assessee and so proved to be lost and irrecoverable where, —

- (a) the tenancy is *bona fide*;
- (b) the defaulting tenant has vacated, or steps have been taken to compel him to vacate the property;
- (c) the defaulting tenant is not in occupation of any other property of the assessee; and
- (d) the assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer that legal proceedings would be futile.





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Computation of aggregate average advances for purposes of section 31(1) [Table: Sl. No. 1] for deduction for provision of bad and doubtful debt.

22. (1) For the purposes of section 31(1) [Table: Sl. No. 1], the aggregate average advances made by the rural branches of a scheduled bank shall be determined as follows:

- (a) the amounts of advances made by each rural branch as outstanding at the end of the last day of each month comprised in the tax year shall be aggregated separately;
- (b) the sum so arrived at in the case of each such branch shall be divided by the number of months for which the outstanding advances have been taken into account for the purposes of clause (a); and
- (c) the aggregate of the sums so arrived at in respect of each of the rural branches shall be the aggregate average advances made by the rural branches of the scheduled bank.

(2) In this rule the expressions, "rural branch" and "scheduled bank" shall have the meanings respectively assigned to them in sections 66(26) and 2(98).





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Computation of *pro rata* amount of discount on a zero coupon bond for purpose of section 32(d).

23. (1) For the purposes of section 32(d), the *pro rata* amount of discount on a zero coupon bond shall be computed in the following manner:—

- (a) the period of life of the bond shall be converted into number of calendar months and, for this purpose, where the calendar month in which the bond is issued or the bond matures or is redeemed, contains a part of a calendar month then,—
 - (i) if such part is fifteen days or more than fifteen days, it shall be increased to one calendar month; and
 - (ii) if such part is less than fifteen days, it shall be ignored;
- (b) the amount of discount shall be divided by the number of calendar months determined in accordance with clause (a); and
- (c) where one or more than one calendar month out of calendar months determined in accordance with clause (a) is or are included in a tax year, the amount determined in accordance with clause (b) shall be multiplied by the number of calendar months so included and the amount so arrived at shall be taken to be the *pro rata* amount of discount for that tax year.





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Notification of infrastructure facility for the purposes of section 32(e).

24. The following conditions shall be fulfilled by a public facility to be eligible to be notified as an infrastructure facility under section 32(e):—

- (a) it is owned by a company registered in India or by a consortium of such companies or by an authority or a board or a corporation or any other body established or constituted under any Central Act or State Act;
- (b) it has entered into an agreement with the Central Government or a State Government or a local authority or any other statutory body for —
 - (i) developing; or
 - (ii) operating and maintaining; or
 - (iii) developing, operating and maintaining a new infrastructure facility similar in nature to an infrastructure facility referred to in the *Explanation* to section 80-IA(4)(i) of the Income-tax Act, 1961 (43 of 1961), as it existed prior to its repeal; and
- (c) it has started or starts operating and maintaining such infrastructure facility on or after the 1st April, 1995.





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Depreciation.

25. (1) Subject to the provisions of sub-rule (7), the allowance under section 33(3) in respect of depreciation of any block of assets specified in column (2) of the Table in Appendix I shall be calculated at the percentages specified in the column (3) of the said Table on the written down value of such block of assets as are used for the purposes of the business or profession of the assessee at any time during the tax year.

(2) The allowance under section 33(3) in respect of depreciation of any block of assets with respect to the persons mentioned in Column B of the following Table shall not exceed 40% of the written down value of such block of assets, if conditions mentioned in column C thereof are fulfilled:—

TABLE

Sl. No.	Person	Conditions to be fulfilled
A	B	C
1	Domestic company	Which has exercised option under— (a) section 199(3); or (b) section 200(5); or (c) section 201(2).
2	(a) Individual or Hindu undivided family; or (b) association of persons or a body of individuals, whether incorporated or not; or (c) artificial juridical person referred to in section 2(77)(g).	Whose income is chargeable to tax under section 202(1).
3	Co-operative society resident in India	Which has exercised option under— (a) section 203(5); or (b) section 204(2).

(3) The allowance under section 33(2) in respect of depreciation of assets acquired on or after 1st April, 1977 specified in column (2) of the Table in Appendix II, shall be calculated at the percentage specified in the column (3) thereof on the actual cost to the assessee as are used for the purposes of the business of the assessee at any time during the tax year.

(4) The aggregate depreciation allowed under section 33(2), in respect of any asset for different tax years shall not exceed the actual cost of the said asset.

(5) The undertaking specified in section 33(2) may, at its option, be allowed depreciation under sub-rule (1) read with Appendix I instead of the depreciation specified in Appendix II, if option is exercised on or before the due date for furnishing the return of income under section 263(1)(c) for the tax year in which it begins to generate power.

(6) Any option under sub-rule (5) once exercised, shall be final and shall apply to all the subsequent tax years.

(7) Where any new machinery or plant is installed during the tax year commencing on or after the 1st April, 1987, for the purposes of business of manufacture or production of any article or thing and such article or thing—

(a) is manufactured or produced by using any technology (including any process) or other know-how developed in; or

(b) is an article or thing invented in,
a laboratory owned or financed by the Government or a laboratory owned by a public sector company or a University or an institution recognised in this behalf by the Secretary, Department of Scientific and Industrial Research, Government of India,

such plant or machinery shall be treated as a part of block of assets qualifying for depreciation at the rate of 40% of written down value, if the following conditions are fulfilled:—

(i) the right to use such technology (including any process) or other know-how or to manufacture or produce such article or thing has been acquired from the owner of such laboratory or any person deriving title from such owner;

(ii) the return furnished by the assessee for his income, or the income of any other person in respect of which he is assessable, for any tax year in which the said machinery or plant is acquired, shall be accompanied by a certificate from the Secretary, Department of Scientific and Industrial Research, Government of India, to the effect that such article or thing is manufactured or produced by using such technology (including any process) or other know-how developed in such laboratory or is an article or thing invented in such laboratory; and

(iii) the machinery or plant is not used for the purpose of business of manufacture or production of any article or thing specified in the list in the Schedule XIII to the Act.

(8) For the purposes of sub-rule (7),—

(a) "laboratory financed by the Government" means a laboratory owned by any body including a society registered under the Societies Registration Act, 1860 (2 of 1860) and financed wholly or mainly by the Government;

(b) "public sector company" means any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in section 2(45) of the Companies Act, 2013 (18 of 2013); and

(c) "University" means a University established or incorporated by or under a Central, State or Provincial Act and includes an institution declared under section 3 of the University Grants Commission Act, 1956 (3 of 1956), to be a University for the purposes of that Act.



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Cases and circumstances in which a payment or aggregate of payments exceeding ten thousand rupees may be made to a person in a day, otherwise than by specified banking and online mode or through such other electronic mode as provided in rule 48

26. (1) No disallowance under section 36(4) shall be made and no payment shall be deemed to be the profits and gains of business or profession under section 36(5) where a payment or aggregate of payments made to a person in a day, otherwise than by a specified banking or online mode or through such other electronic mode as provided in rule 48, exceeds ten thousand rupees, in the following cases and circumstances:—

- (a) where the payment is made to—
 - (i) the Reserve Bank of India or any banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949); or
 - (ii) the State Bank of India or any subsidiary bank as defined in section 2 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959); or
 - (iii) any co-operative bank or land mortgage bank; or
 - (iv) any primary agricultural credit society or any primary credit society as defined under section 56 of the Banking Regulation Act, 1949 (10 of 1949); or
 - (v) the Life Insurance Corporation of India established under section 3 of the Life Insurance Corporation Act, 1956 (31 of 1956);
 - (b) where the payment is made to the Government and, under the rules framed by it, such payment is required to be made in legal tender;
 - (c) where the payment is made by—
 - (i) any letter of credit arrangements through a bank; or
 - (ii) a mail or telegraphic transfer through a bank; or
 - (iii) a book adjustment from any account in a bank to any other account in that or any other bank; or
 - (iv) a bill of exchange made payable only to a bank;
 - (d) where the payment is made by way of adjustment against the amount of any liability incurred by the payee for any goods supplied or services rendered by the assessee to such payee;
 - (e) where the payment is made for the purchase of—
 - (i) agricultural or forest produce; or
 - (ii) the produce of animal husbandry (including livestock, meat, hides and skins) or dairy or poultry farming; or
 - (iii) fish or fish products; or
 - (iv) the products of horticulture or apiculture,to the cultivator, grower or producer of such articles, produce or products;
 - (f) where the payment is made for the purchase of the products manufactured or processed without the aid of power in a cottage industry, to the producer of such products;
 - (g) where the payment is made in a village or town, which on the date of such payment is not served by any bank, to any person who ordinarily resides, or is carrying on any business, profession or vocation, in any such village or town;
 - (h) where any payment is made to an employee of the assessee or the heir of any such employee, on or in connection with the retirement, retrenchment, resignation, discharge or death of such employee, on account of gratuity, retrenchment compensation or similar terminal benefit and the aggregate of such sums payable to the employee or his heir does not exceed fifty thousand rupees;
 - (i) where the payment is made by an assessee by way of salary to his employee after deducting the income-tax from salary in accordance with the provisions of section 392, and when such employee—
 - (i) is temporarily posted for a continuous period of fifteen days or more in a place other than his normal place of duty or on a ship; and
 - (ii) does not maintain any account in any bank at such place or ship;
 - (j) where the payment is made by any person to his agent who is required to make payment in cash for goods or services on behalf of such person;
 - (k) where the payment is made by an authorised dealer or a money changer against purchase of foreign currency or travellers cheques in the normal course of his business.
- (2) For the purposes of this rule,—
- (a) the term "bank", in clause (c) and clause (g), means any bank, banking company or society referred to in sub-clauses (i) to (iv) of clause (a) and includes any bank not being a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), whether incorporated or not, which is established outside India; and
 - (b) "authorised dealer" or "money changer", in clause (k), means a person authorised as an authorised dealer or a money changer to deal in foreign currency or foreign exchange under any law in force.



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Form of statement to be furnished regarding certain preliminary expenses eligible for deduction under section 44.

27. (1) The statement containing particulars of expenditure required to be furnished under section 44(3) shall be in Form No. 5 for each tax year.

(2) Form No. 5 shall be furnished to the Director General of Income-tax (Systems) or any person authorised by him, one month prior to the due date for furnishing the return of income as specified under section 263(1).





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Form of audit report for claiming deduction for certain preliminary expenses under section 44 and expenditure for prospecting certain minerals under section 51.

28. The report of audit of the accounts of an assessee, other than a company or a co-operative society, under section 44(6) or section 51(7), shall be furnished in Form No. 6.





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Prescribed authority and process of approval for expenditure on scientific research under section 45(1)(a)(ii) and (2).

29. (1) For the purposes of clause (b) read with clause (a)(ii) of section 45(1), the prescribed authority shall be Principal Chief Commissioner of Income-tax (Exemptions) in concurrence with the Secretary, Department of Scientific and Industrial Research, Government of India.
- (2) For the purposes of section 45(2),—
- (a) the prescribed authority shall be Secretary, Department of Scientific and Industrial Research, Government of India;
 - (b) no company shall be entitled for deduction under said section, unless it enters into an agreement with the prescribed authority for co-operation in research and development facility and fulfils such conditions with regard to maintenance of books of account and audit thereof and furnishing of reports in the manner provided in this rule;
 - (c) the application for entering into an agreement specified in clause (b) shall be made by a company in Form No. 11;
 - (d) the prescribed authority shall,—
 - (i) if he is satisfied that the conditions mentioned in section 45(2) and specified in this sub-rule are fulfilled, pass an order in writing in Form No. 14, approving the facility within four months from the end of the month in which application is received;
 - (ii) where an application is rejected, a reasonable opportunity of being heard shall be granted to the company; and
 - (iii) furnish a copy of such order to the Chief Commissioner of Income-tax having jurisdiction over such company;
 - (e) approval of expenditure incurred on in-house research and development facility by a company shall be subject to the following conditions:—
 - (i) the facility should not relate purely to market research, sales promotion, quality control, testing, commercial production, style changes, routine data collection or activities of similar nature;
 - (ii) the prescribed authority shall furnish electronically its report—
 - (A) in relation to the approval of in-house research and development facility in Part A of Form No. 12;
 - (B) quantifying the expenditure incurred on in-house research and development facility by the company during the tax year and eligible for deduction under section 45(2) in Part B of Form No. 12;
 - (iii) the report in Form No. 12 referred to in sub-clause (ii) shall be furnished electronically by the prescribed authority to the Chief Commissioner of Income-tax having jurisdiction over such company within one hundred and twenty days,—
 - (A) of the grant of the approval, in a case referred to in sub-clause (ii)(A);
 - (B) of the submission of the audit report, in a case referred to in sub-clause (ii)(B);
 - (iv) the company shall maintain separate books of account for each approved facility which shall be audited annually;
 - (v) a report of audit in Form No. 13 shall be furnished electronically to the Secretary, Department of Scientific and Industrial Research on or before the due date specified in section 263(1)(c) for furnishing the return of income, for each succeeding tax year;
 - (vi) the company shall attach copy of such audited annual account with the return of income to be filed under section 263(1)(a) for each tax year;
 - (vii) the company shall ensure that the capital and revenue expenditure on in-house research and development facility is reflected in the schedules or notes to accounts in the audited financial statement of the company prepared for the purposes of its annual report and for the purposes of computation of income-tax; and
 - (viii) the assets acquired by the approved facility shall be utilised only for the approved purpose and shall not be disposed of without the approval of the Secretary, Department of Scientific and Industrial Research.
- (3) For the purposes of this rule, "audited" means the audit of accounts by an accountant, as defined in section 515(3)(b).

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Prescribed authority and process of approval for expenditure on scientific research under section 45(3)(c).

30. (1) For the purposes of section 45(3)(c)(i) to (iii), the head of the National Laboratory or the University or the Indian Institute of Technology, as the case may be, shall be the prescribed authority.

(2) For the purposes of section 45(3)(c)(iv), the Principal Scientific Adviser to the Government of India shall be the prescribed authority.

(3) The application for obtaining approval of scientific research programme under section 45(3)(c) shall be made by a sponsor in Form No. 7.

(4) The prescribed authority shall, if he is satisfied that it is feasible to carryout the scientific research programme then, subject to other conditions specified in this rule, pass an order in writing in Form No. 8, approving such programme within two months from the end of the month in which application is received, to be effective for such period not exceeding five tax years.

(5) For the purposes of sub-rule (4), the Principal Scientific Adviser to the Government of India may authorise an officer, not below the rank of a Deputy Secretary, to issue such order, after the scientific research programme has been approved by him.

(6) A reasonable opportunity of being heard shall be granted to the sponsor before rejecting an application.

(7) Approval of a scientific research programme under section 45(3)(c) shall be subject to the following conditions:—

- (a) the programme should not relate purely to market research, sales promotion, quality control, testing, commercial production, style changes, routine data collection or activities of a like nature;
- (b) the National Laboratory, University, Indian Institute of Technology or specified person, as the case may be, shall maintain a separate account for each approved programme;
- (c) the account shall be audited annually and a copy thereof shall be furnished to the Chief Commissioner of Income-tax having jurisdiction over the sponsor on or before the due date specified in section 263(1)(c) for furnishing the return of income, for each succeeding tax year;
- (d) the following information or statement or report shall be submitted to the Chief Commissioner of Income-tax having jurisdiction over the sponsor:—
 - (A) a report in Form No. 10 by the prescribed authority within a period of three months from the date of granting approval to the programme showing progress of implementation of the approved programme and actuals of expenditure incurred thereon, by the sponsor and the National Laboratory, University, Indian Institute of Technology or specified person, as the case may be;
 - (B) a completion certificate along with a copy of the report on the research activities carried out and salient features of the result obtained and its further application for commercial exploitation, jointly by the sponsor and the National Laboratory, University, Indian Institute of Technology or specified person, on completion of the approved programme;
 - (C) a copy of the audited statement of accounts for the approved programme, by the Head of the National Laboratory, University or Indian Institute of Technology or the Principal Scientific Adviser to the Government of India, within six months of the completion of the programme;
- (e) the prescribed authority shall not extend the duration of the programme or approve any escalation in costs; and
- (f) the assets acquired by the National Laboratory, University, Indian Institute of Technology or specified person, for executing the approved programme shall not be disposed of without the approval of the Chief Commissioner of Income-tax having jurisdiction over the sponsor.

(8) The National Laboratory, University, Indian Institute of Technology or specified person shall issue a receipt of payment for carrying out an approved programme of scientific research in Form No. 9.

(9) The sponsor, may, at least three months before the expiry of the effective period of the order passed under sub-rule (4), make an application to the prescribed authority for passing a fresh order.

(10) For the purposes of this rule,—

- (a) "audited" means the audit of accounts by an accountant, as defined in the section 515(3)(b); and
- (b) "sponsor" means a person who makes an application in Form No. 7.



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Ministry of Finance, Government of India

Furnishing of statement of particulars in respect of donation and certificate to donor under section 45(4)(a).

31. (1) For the purposes of section 45(4)(a), the deduction in respect of any sum paid to the research association, University, college or other institution referred to in section 45(3)(a) or the company referred to in section 45(3)(b) shall not be allowed, unless such research association, University, college or other institution or company—

(a) prepares statement in Form No. 15 for each tax year and deliver or cause to be delivered to the Director General of Income-tax (Systems) or the person authorised by him; and

(b) furnish to the donor, a certificate specifying the amount of donation in Form No. 16.

(2) The research association, University, college or other institution or company shall, while aggregating the amounts for determining the sums received for reporting in respect of any person,—

(a) take into account all the donations of the same nature paid by that person during the tax year; and

(b) proportionately attribute the value of the donation or the aggregated value of all the donations to all the persons, in a case where the donation is recorded in the name of more than one person and where no proportion is specified by the donors, attribute equally to all the donors.

(3) The person who is authorised to verify the return of income under section 265 shall verify Form No. 15.

(4) Statement of particulars in Form No. 15 and the certificate to the donor in Form No. 16 shall be furnished on or before the 31st May, immediately following the tax year in which the donation is received.





Income Tax Department

Ministry of Finance, Government of India

Procedure, form and manner in respect of approval under section 45(4) read with section 45(3)(a) for deduction for expenditure on scientific research by a research association.

32. (1) An application for approval under section 45(4)(b) in Form No. 17 shall be made to the Commissioner of Income-tax having jurisdiction over the applicant, at any time during the financial year immediately preceding the tax year from which the approval is sought.

(2) Where approval is sought—

(a) from the tax year 2026-27; or

(b) from the tax year in which the applicant is incorporated,

the application for approval may be made at any time during the said tax year.

(3) The person who is authorised to verify the return of income under section 265, as applicable to the applicant shall verify Form No. 17.

(4) If the research association claims an exemption as per Schedule III [Table: Sl. No. 23], then the Annexure to Form No. 17 shall also be filled out.

(5) The applicant shall send a copy of the application to Member (IT), Central Board of Direct Taxes accompanied by its acknowledgement receipt as evidence of having furnished the application as per sub-rule (1).

(6) Where an application is made under sub-rule (1), every notification under section 45(4)(b) shall be issued or an order rejecting the application shall be passed by the Central Government recording reasons therefore in writing, within twelve months from the end of the quarter in which such application was received in the office of Member (IT), CBDT.

(7) Any notification issued by the Central Government under section 45(4)(b) shall, at any time, have effect for such tax year or years, not exceeding five tax years as may be specified in such notification.

(8) If any defect is noticed in the application, or if any relevant document is not attached thereto, the Commissioner of Income-tax shall serve a deficiency letter on the applicant before the expiry of one month from the end of the month in which application is received in his office.

(9) The applicant shall remove the deficiency referred to in sub-rule (8) within a maximum period of one month from the end of the month in which the deficiency letter is served and if the applicant fails to remove such deficiency within the period so allowed, the Commissioner of Income-tax shall send his recommendation for treating the application as invalid to the Member (IT), Central Board of Direct Taxes.

(10) The Central Government, if satisfied, may pass an order, for reasons to be recorded in writing, treating the application as invalid.

(11) If the application is complete in all respects, the Commissioner of Income-tax, may make such inquiry as he may consider necessary regarding the genuineness of the activity of the research association or University or college or other institution and send his recommendation to the Member (IT), CBDT for grant of approval or rejection of the application before the expiry of the period of three months from the end of the quarter in which the application was received in his office.

(12) The Central Government may, before granting approval under section 45(4)(b), call for such documents or information from the applicant as it may consider necessary and may get any inquiry made for verification of the genuineness of the activity of the applicant.

(13) The Central Government may withdraw the approval granted under section 45(4)(b), if it is satisfied that the research association or University or college or other institution has ceased its activities, or its activities are not genuine, or are not being carried out in accordance with all or any of the conditions specified under rule 33 or rule 34.

(14) No order treating the application as invalid, or rejecting the application or withdrawing the approval, shall be passed without giving a reasonable opportunity of being heard.

(15) A copy of the order invalidating or rejecting the application or withdrawing the approval shall be communicated to the applicant, the Assessing Officer and the Commissioner of Income-tax having jurisdiction over the applicant.

(16) The applicant, may, at least three months before the expiry of the effective period of the notification issued under sub-rule (6), make an application to the Commissioner of Income-tax having jurisdiction over the applicant for issue of a fresh notification.



Income Tax Department

Ministry of Finance, Government of India

Conditions subject to which approval is to be granted to a research association for deduction for expenditure on scientific research under section 45(4) read with section 45(3)(a).

33. (1) The sole object of the applicant research association shall be to undertake scientific research or research in social science or statistical research, as the case may be.

(2) The applicant research association shall carry on the research activity by itself.

(3) The research association seeking approval under section 45(4)(b) shall—

- (a) maintain books of account;
- (b) get such books audited by an accountant as defined in the section 515(3)(b); and
- (c) furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax having jurisdiction over the research association, by the due date of furnishing the return of income under section 263(1).

(4) The research association shall maintain a separate statement of donations received and amount applied for scientific research or research in social science or statistical research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to in sub-rule (3).

(5) The research association shall, by the due date of furnishing the return of income under section 263(1), furnish a statement to the Commissioner of Income-tax containing—

- (a) a detailed note on the research work undertaken by it during the tax year;
- (b) a summary of research articles published in national or international journals during the tax year;
- (c) any patent or other similar rights applied for or registered during the tax year; and
- (d) programme of research projects to be undertaken during the forthcoming tax year and the financial allocation for such programme.

(6) If it is found by the Commissioner of Income-tax that the research association,—

- (a) is not maintaining books of account; or
- (b) has failed to furnish its audit report; or
- (c) has not furnished its statement of the sums received and the sums applied for scientific research or research in social science or statistical research or a statement referred to in sub-rule (5); or
- (d) has ceased to carry on its research activities, or its activities are not genuine; or
- (e) is not fulfilling the conditions subject to which approval was granted to it,

he may, after making appropriate enquiries, furnish a report on the circumstances referred to in clauses (a) to (e), to the Central Government within six months from the date of furnishing the return of income under section 263(1).





Income Tax Department

Ministry of Finance, Government of India

Conditions subject to which approval is to be granted to a University, college or other institution for deduction for expenditure on scientific research under section 45(4) read with section 45(3)(a).

34. (1) The sum paid to a University, college or other institution shall be used for scientific research and research in social science or statistical research.
- (2) The applicant University, college or other institution shall carry out scientific research, research in social science or statistical research through its faculty members or its enrolled students.
- (3) A University or college or other institution approved under section 45(4)(b), shall—
- (a) maintain separate books of account in respect of the sums received by it for scientific research or, as the case may be, for research in social science or statistical research;
 - (b) reflect therein the amount used for carrying out research;
 - (c) get such books of account audited by an accountant, as defined in the section 515(3)(b); and
 - (d) furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under section 263(1).
- (4) The University or college or other institution shall maintain a separate statement of donations received and the amount used for research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to in sub-rule (3).
- (5) The University, college or other institution shall, by the due date of furnishing the return of income under section 263(1), furnish a statement to the Commissioner of Income-tax containing—
- (a) a detailed note on the research work undertaken by it during the tax year;
 - (b) a summary of research articles published in national or international journals during the tax year;
 - (c) any patent or other similar rights applied for or registered during the tax year;
 - (d) the programme of research projects to be undertaken during the forthcoming tax year and the financial allocation for such programme.
- (6) If it is found by the Commissioner of Income-tax that the University or college or other institution—
- (a) is not maintaining separate books of account for research activities; or
 - (b) has failed to furnish its audit report; or
 - (c) has not furnished its statement of the sums received and the sums used for research or a statement referred to in sub-rule (5); or
 - (d) has ceased to carry on its research activities, or its activities are not genuine; or
 - (e) is not fulfilling the conditions subject to which approval was granted to it,
- he may, after making appropriate enquiries, furnish a report on the circumstances referred to in clauses (a) to (e) to the Central Government within six months from the date of furnishing the return of income under section 263(1).

